

**Summary  
APPRAISAL REPORT**

Of Certain Potential Land Banking Sale Parcels

**Sale ID #'s 279, 280, 281, 282, 283**  
Beaverhead County, Montana

Prepared for:

**Montana Department of Natural Resources and Conservation  
&  
Montana Board of Land Commissioners**

As of:

September 12, 2008

Prepared by:

**Kevin T. Pearce, ARA**  
Certified General Appraiser, MT #63 & WY #436  
&  
**Tracey S. Pearce**  
Appraiser Trainee, MT #926



**NEW FRONTIER**  
• R A N C H E S •



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September 26, 2008

Tom Konency, Appraiser  
MT Department of Natural Resources and Conservation  
PO Box 201601  
Helena, MT 59620 - 1601

Re: Beaverhead County Parcels #279, #280, #281, #282, #283 Appraisal - Land Banking Program

Dear Mr. Konency:

In accordance with your instructions, we have conducted and prepared an appraisal of those certain properties identified herein as Beaverhead County Parcels #279, #280, #281, #282, and #283 that are being considered for sale through the Montana DNRC Land Banking program. These parcels are located about 25 air miles south of Dillon in the Red Rock River valley along Interstate 15. All parcels are vacant, structurally unimproved tracts of primarily native rangeland and dry pasture land.

The appraisal prepared for you is deemed to be a complete appraisal that is presented herein as a narrative Summary Appraisal Report. The objective of this analysis was to estimate the Market Value of the real property for your use in consideration of the potential sale of said subject properties. The effective date of value shall be September 12, 2008, the date of our property inspection. As you requested, each of the five parcels are appraised separately and with the hypothetical condition that all tracts possess legal access. Our market research did not reveal any current market data of similar landlocked parcels from the defined market area, and therefore, the "as is" value of the property without legal access could not be determined. The resulting appraised values with the assumed legal access are shown below.

Sale ID #279:	21.63 acres	\$54,000.00
Sale ID #280:	20.00 acres	\$50,000.00
Sale ID #281:	7.00 acres	\$31,500.00
Sale ID #282	78.00 acres	\$214,500.00
Sale ID #283	15.17 acres	\$53,000.00

We herewith deliver to you one original written report complete with addenda and one electronic PDF document on CD that does not contain the addenda sale information. Each report contains 53 numbered pages plus maps, exhibits, and the addenda. We hereby certify that we have no interest, present or prospective, in the herein described property and that our employment is in no way contingent upon the amount of appraised valuation. We certify that our opinion is based on a study and analysis of the data obtained, and our appraisal education, experience, and knowledge of local real estate values.

Respectfully submitted,

**Tracey S. Pearce**  
Appraiser Trainee, MT #926

**Kevin T. Pearce, ARA**  
Accredited Rural Appraiser, #1081  
Certified General Appraiser, MT #63 & WY #436

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Market Sale Data  
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Appraiser's Qualifications

# I. INTRODUCTION

## A. Summary, Salient Points, and Conclusion

<u>Property Owner:</u>	State of Montana State Trust Land
<u>Property Location:</u>	Approximately 25 to 30 air miles south of Dillon, MT in the Red Rock River valley adjacent to the east side of Interstate 15 near the Kidd Exit.
<u>Client and Intended User:</u>	The clients and intended users for this assignment shall be the State of Montana, the Montana Board of Land Commissioners and the Montana Department of Natural Resources and Conservation (DNRC).
<u>Appraisers:</u>	<p>Tracey S. Pearce, Appraiser Trainee NEW FRONTIER RANCHES, INC. 111 N. Main Street - PO Box 469 Twin Bridges, MT 59754 (406) 684-5850</p> <p>Kevin T. Pearce, ARA NEW FRONTIER RANCHES, INC. 111 N. Main Street - PO Box 469 Twin Bridges, MT 59754 (406) 684-5850</p>
<u>Purpose of the Appraisal:</u>	To estimate the current fair market value of the real property for use in the clients' decision making process concerning the potential sale of the subject properties.
<u>Estate Appraised:</u>	The surface fee ownership reduced by any easements, etc. of record and excepting specific valuation of mineral, water, and timber rights, (if any) free and clear of encumbrances and liens.
<u>Effective Date of Appraisal:</u>	September 12, 2008

Property Description:

The subject property consists of five parcels located approximately 25 to 30 air miles south of Dillon, MT and 10 to 12 miles north of Lima, MT in Beaverhead County. The subject properties consist of vacant, structurally unimproved parcels of primarily native rangeland and dry pasture.

ID #279	21.63 acres
ID #280	20.00 acres
ID #281	7 acres
ID #282	78 acres
ID #283	15.17 acres

Each of the individual parcels are identified and appraised separately herein.

Highest and Best Use:

Recreational / rural residential.

Valuation Conclusion:

Sales Comparison Approach:

Sale ID #279:	21.63 acres	\$54,000.00
Sale ID #280:	20.00 acres	\$50,000.00
Sale ID #281:	7.00 acres	\$31,500.00
Sale ID #282:	78.00 acres	\$214,500.00
Sale ID #283:	15.17 acres	\$53,000.00

## **B. Authorization and Scope of Work Outline**

The appraisers were authorized and instructed to prepare an appraisal of the subject property by Mr. Tom Konency, Appraiser, Montana DNRC via written contract signed June 30, 2008.

The current Uniform Standards of Professional Appraisal Practice (USPAP) Scope of Work Rule requires that for each appraisal assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.

The appraiser must properly identify the problem to be solved in order to determine the appropriate Scope of Work. Scope of Work includes but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal problem to be solved. In an appraisal assignment identification of the problem to be solved requires the appraiser to identify the following assignment elements:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

The Scope of Work must include the research and analyses that are necessary to develop credible assignment results. The Scope of Work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

The following pages of this report are intended to contain sufficient information to allow the intended user(s) to understand the Scope of Work performed and the subsequent appraisal process.

**C. Client(s) and Intended User(s) of the Report**

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

**D. Purpose and Intended Use of the Appraisal**

The purpose of this appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property and is intended for use in the clients' decision making process concerning the potential sale of said subject properties.

For the purpose of this assignment, the definition of market value shall be that as defined in 70-30-313 Montana Code Annotated:

"Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- 1.) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- 2.) the machinery, equipment, and fixtures forming part of the real estate taken; and
- 3.) any other relevant factors as to which evidence is offered."

**E. Competency Provision**

The Uniform Standards of Professional Appraisal Practice requires that prior to accepting an appraisal assignment the appraiser must properly identify the appraisal problem to be addressed and have the knowledge and experience necessary to complete the assignment competently, or alternatively;

1. Disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
2. take all steps necessary or appropriate to complete the assignment competently; and
3. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.



The appraisal presented herein is developed and conducted by Tracey S. Pearce, Appraiser Trainee and Kevin T. Pearce, Mentor. Tracey S. Pearce possesses Montana Real Estate Trainee License #926 and has been involved in the real estate sales and appraisal fields for ten years. Kevin T. Pearce has been appraising ranch and rural properties for more than 23 years and holds General Appraisal Certificates for the States of Montana (#63) and Wyoming (#436). Mr. Pearce is one of only twenty active Accredited Rural Appraisers (ARAs) in Montana and has worked extensively in southwestern Montana with emphasis on appraising farm, ranch, recreational, and rural residential properties.

The appraisers signing this appraisal report certify that they have the knowledge and experience to complete this assignment competently in accordance with the Competency Provision of USPAP. Please refer to the complete Appraisers' Qualifications that are placed in the addenda of this report. No one else has provided significant assistance to the appraisers unless noted in this report.

**F. Effective Date of the Appraisal**

The property was inspected and photographed on September 12, 2008 by Tracey S. Pearce and Kevin T. Pearce. The effective date of this appraisal shall be September 12, 2008, the date of the property inspection.

**G. Date of the Report**

This appraisal was conducted and prepared during the month of September 2008. The appraisal report was completed and signed on September 26, 2008.

**H. Property Interest Appraised**

The property interest being appraised herein is the real property's surface fee estate reduced by any easements, etc., of record and excepting specific valuation of mineral, water, and timber rights, (if any) free and clear of encumbrances and liens. The sub-surface mineral rights are not appraised herein.

**I. Ownership and Sales History**

As of the specific date of valuation, the five parcels are owned by the State of Montana as State Trust Lands.

**J.     Subject of the Appraisal**

The properties being appraised herein consist of five parcels located in the southern portion of Beaverhead County in the Red Rock River Valley approximately 25 to 30 air miles south of Dillon and 10 to 12 miles north of Lima, MT. The appraised property consists of the real property only; no personal property, trade fixtures, furniture, or equipment is included in this report unless specifically noted. The real property appraised herein shall not include any structural improvements, buildings, utilities, and/or site improvements existing on the property as of the date of valuation as these are considered the property of the current Lessee.

The properties are identified below.

**Beaverhead County, Montana**

<b>Sale Parcel ID</b>	<b>Legal</b>	<b>Location</b>	<b>Acres</b>
#279	Part of Lot 2 east of Interstate 15	T12S-R10W-Section 2	21.63
280	Part of SW1/4SW14 east of Interstate 15	T11S-R10W-Section 26	20.00
281	That portion of NE1/4NW1/4 lying east of Interstate 15 and north of the Kidd Exit Rd	T12S-R10W-Section 13	7.00
282	That portion of the SW1/4NE1/4 east of Interstate 15, that portion of the NW1/4SE1/4 east of Interstate 15, and that portion of the SE1/4SE1/4 east of Interstate 15	T12S-R10W-Section 13	78.00
283	That portion of the NE1/4NE1/4 east of Interstate 15	T12S-R10W-Section 24	15.17

**K.     Exposure Time**

Current appraisal standards require an appraiser to estimate the reasonable exposure time and the normal marketing period for the property being appraised. According to USPAP SMT-6, ***Exposure Time*** can be defined as: "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market."

Exposure time can be different for various types of property and under various market conditions. The overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort. Exposure time is always presumed to occur prior to the effective date of the appraisal but is not intended to be a prediction of a date of sale. Instead it is an integral part of the analyses conducted during the appraisal process and can be based on one or more of the following: statistical information about days on the market; information gathered through sales verification; and interview of market participants. It is a function of price, time, and use, not an isolated opinion of time alone.

USPAP AO-7 states that a reasonable ***Marketing Period*** is “the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.” Like exposure time, the estimated marketing period can be expressed as a range and can be based on one or more of the following: statistical information about days on the market; information gathered through sales verification; interviews of market participants, and anticipated changes in market conditions. The reasonable marketing period is a function of price, time, use, and anticipated market conditions, such as changes in the cost and availability of funds, and is not an isolated opinion of time alone.

This report and the concluded market value of the subject property is based on an exposure time of approximately six to eighteen months which is also considered to be appropriate as a reasonable marketing period on the open market for similar properties. This is based on an analysis of current sales and listings of similar properties in the local and surrounding market area.

#### **L. Hypothetical Conditions**

The subject properties are all owned by the State of Montana and are currently leased to the neighboring ranch owned by Draggin' Y Cattle Company. For the purpose of this appraisal, the client has instructed us to appraise the properties under the Hypothetical Condition that they are in private ownership and thus could be sold on the open market for their Fee Simple value and with the Hypothetical Condition that they are not under any current lease agreements.

Four of the five individual parcels are landlocked by the Interstate Highway and the neighboring ranches controlled by Draggin' Y Cattle Company and/or La Cense Ranch and lack legal public access. The client has instructed us to appraise the properties under the Hypothetical Condition that they do possess unrestricted legal access.

**M. Scope of Work Performed**

In preparing the appraisal presented herein, we visually inspected and photographed the subject property on September 12, 2008. Background information on the subject property was subsequently gathered from several sources that include the state lands managers, and personnel associated with governmental agencies including the County Assessor, the County Clerk and Recorder, the USDA Farm Service Agency, the Department of Natural Resources, plus a personal knowledge of the local and surrounding area.

The immediate and surrounding area was researched and analyzed to determine sales activity, emerging and historic trends, and any market factors that may be specific to the subject property and the surrounding market area. Information on comparable vacant land and improved property sales and rents was gathered, confirmed, and analyzed. This data was gathered and confirmed with sources familiar to the transaction (such as buyers, sellers, brokers, appraisers, attorneys, and/or closing agents) to the best of our ability. Montana is a non-disclosure state where the sale prices and terms of these transactions are not public information.

The sales comparison, cost, and income approaches to value were considered. To develop our opinion of value, we performed a complete appraisal process where we used all applicable approaches to value and the value conclusion reflects all known information about the subject property, the market conditions, and all pertinent available data.

The ***Summary Appraisal Report*** presented herein is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a Summary Appraisal Report. As such, it presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in our work file. The depth of discussion contained in this report is specific to the need of the client and to the intended use and intended users stated herein. We are not responsible for unauthorized use of this report.

## **II. SITE ANALYSIS**

### **A. General Location**

The properties being appraised are located in southern Beaverhead County in southwest Montana about 25 to 30 air miles south of Dillon and 10 to 12 miles north of the town of Lima. Lima is situated in the Red Rock River Valley approximately 14 miles north of the continental divide and the Montana - Idaho border.

The southwestern portion of Montana is served by a relatively good system of primary and secondary roads. Dillon (population 4,106) serves as the immediate trade center for the area and is situated along Interstate 15, a primary north-south route through the western United States. Butte, 31,937 residents, is approximately 65 miles north of Dillon via I-15 and Bozeman, Montana's fourth largest city with 37,981, the home of Montana State University, is approximately 125 miles north east of Dillon via Highway 41 and I-90. Idaho Falls, located about 90 miles south of Lima via I-15, is the third largest city in Idaho with 52,786 residents.

Dillon has a community airport, as does Dell, Montana which is about 9 miles north of Lima. The nearest commercial air service is available in Butte, Bozeman, or Idaho Falls. Railroad and passenger bus service is also available at Dillon.

### **B. Area and Community Data**

Montana is one of the most sparsely populated states in the U.S. The state's population of 957,861 residents is spread across 145,388 square miles which projects an average of approximately 6.6 residents per square mile.

Lima, a small town with about 227 year-round residents, is situated along Interstate 15 and provides basic services consisting of a post office, restaurant, café, service garage, small market, motel, churches, and public grade school and high school. Dillon, the county seat of Beaverhead County, serves as the community center for the southwestern portion of Montana and the surrounding area.

Dillon is located along Interstate 15, a primary north-south route through the western United States. According to the 2007 U.S. Census Estimate, Beaverhead County has a population of 8,804 residents and Dillon, the largest city in Beaverhead County, has a population of 4,106. Dillon is the primary trade center in the area and provides all necessary services such as public schools, medical facilities, professional and technical serves, churches, governmental entities, and complete shopping outlets for nearly all consumer goods. Dillon is also home to the University of Montana - Western. Expanded services, extensive shopping facilities, commercial air service, and numerous cultural events can be found in Butte, Bozeman or Idaho Falls.

**C. Site Access**

The subject properties are located about 25 to 30 air miles south of Dillon, MT and are adjacent to the east side of Interstate 15 at or near the Kidd Exit. From the Kidd Exit, Kidd Lane travels east along the south boundary of Sale ID #281 and continues for about  $\frac{3}{4}$  mile before intersecting with the Red Rock Road (the former highway) which runs generally north and south through the Red Rock valley. The subject properties are located north and south of Kidd Lane. We traveled across Draggin' Y Cattle Company's surrounding land via unimproved roads and two-track trails to inspect four of the subject parcels. Sale ID #280 was accessed by walking from the Interstate 15 right-of-way. With the exception of Sale ID #281, there are no legal public access roads to the subject properties, and the properties are being appraised herein under the Hypothetical Condition that they possess legal access. The physical access for each property will be discussed within the description of each individual parcel.

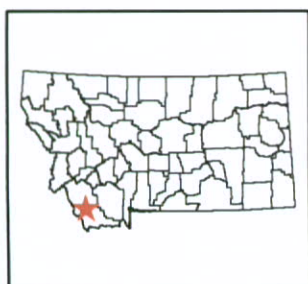
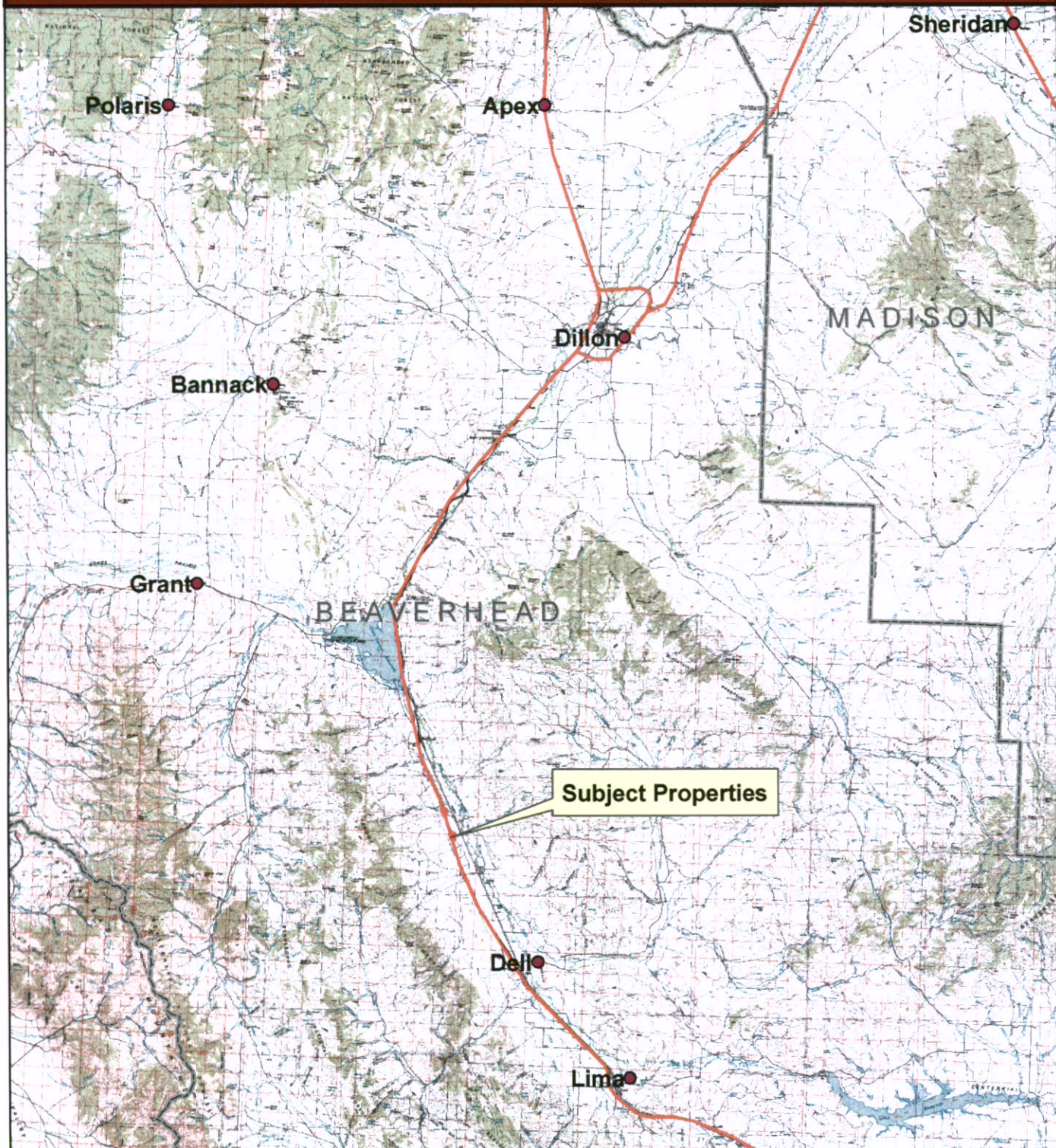
**D. Subject Property Features**

As indicated, the subject properties consist of five parcels located in the Red Rock River Valley between Interstate 15 and the Red Rock Road near the Kidd Exit. At the direction of the client each of the individual parcels will be identified, described, and appraised separately in the following pages of this report.

Overall, the properties being appraised consist of gently rolling native rangeland with Sale ID #282 and #283 possessing some irrigated and sub-irrigated meadows as well. The properties sit at an elevation of approximately 5,800 feet above sea level. The vegetation consists of several species of native rangeland grasses, sage, and some native grass hay in the irrigated pastures. The parcels are surrounded by privately owned ranch lands and have historically been leased for their grazing rights by the surrounding ranch land owners.



# DNRC State Trust Lands - Proposed Sale ID #179, #280, #281, #282 & #283 Area Map



SCALE:  
1:474,074

0 2.5 5 10  
Miles

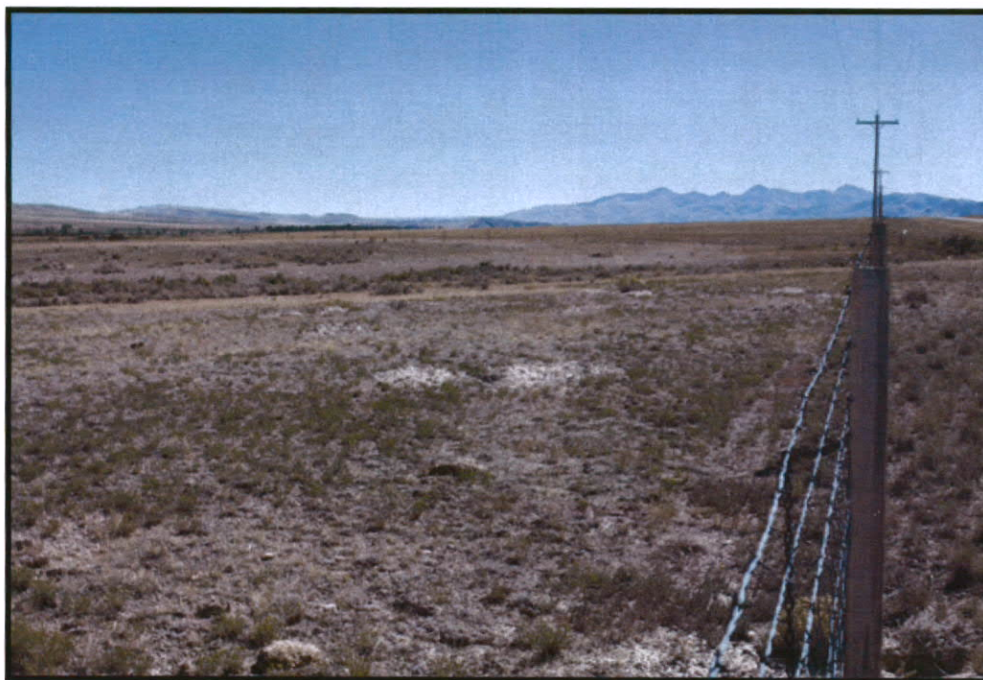
New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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Twin Bridges, Montana





Looking south along the Interstate Highway boundary of Sale ID #279

**1.)      *Sale ID #279                      T12S-R10W; Sect 2; Part of Lot 2 east of  
Interstate 15 - 21.63 acres***

Sale ID #279 is located about two miles north of the Kidd Exit Interchange along Interstate 15. Physical access was via an unimproved two-track trail across Draggin' Y Cattle Company lands. The subject property is bordered to the west by Interstate 15, to the north by Montana State Trust Land and to the east and south by the Draggin Y Ranch. The parcel is located on an open bench with a couple small draws draining easterly. The vegetation consists of native grasses and scattered sagebrush. There are no structural improvements or visible live water on the subject parcel. It has views of the Blacktail Mountain Range and Red Rock River Valley to the east and the Tendoy Mountain range to the west. There is a power line easement running along the west boundary paralleling Interstate 15.





Northward view of Sale ID #279 from the Interstate 15 right-of-way

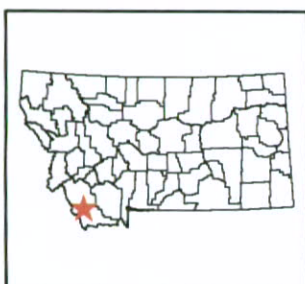
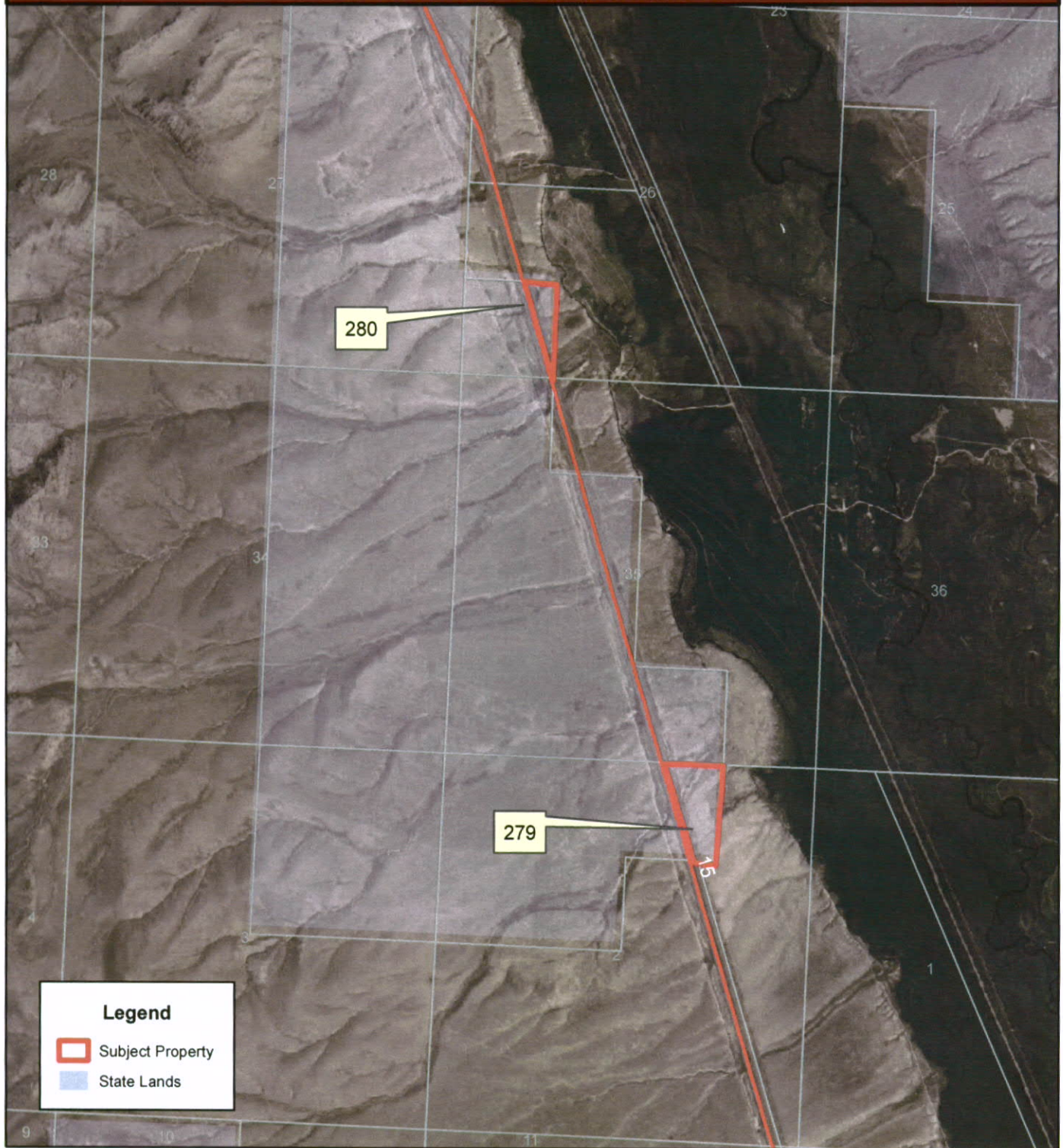


Southeasterly view with the Blacktail foothills in the background from Sale ID #279



# DNRC State Trust Lands - Sale ID #279 & #280

## Beaverhead County, Montana



SCALE:  
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



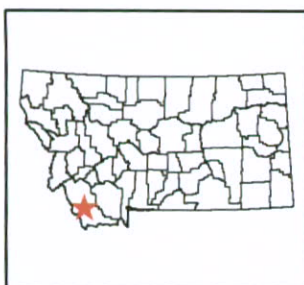
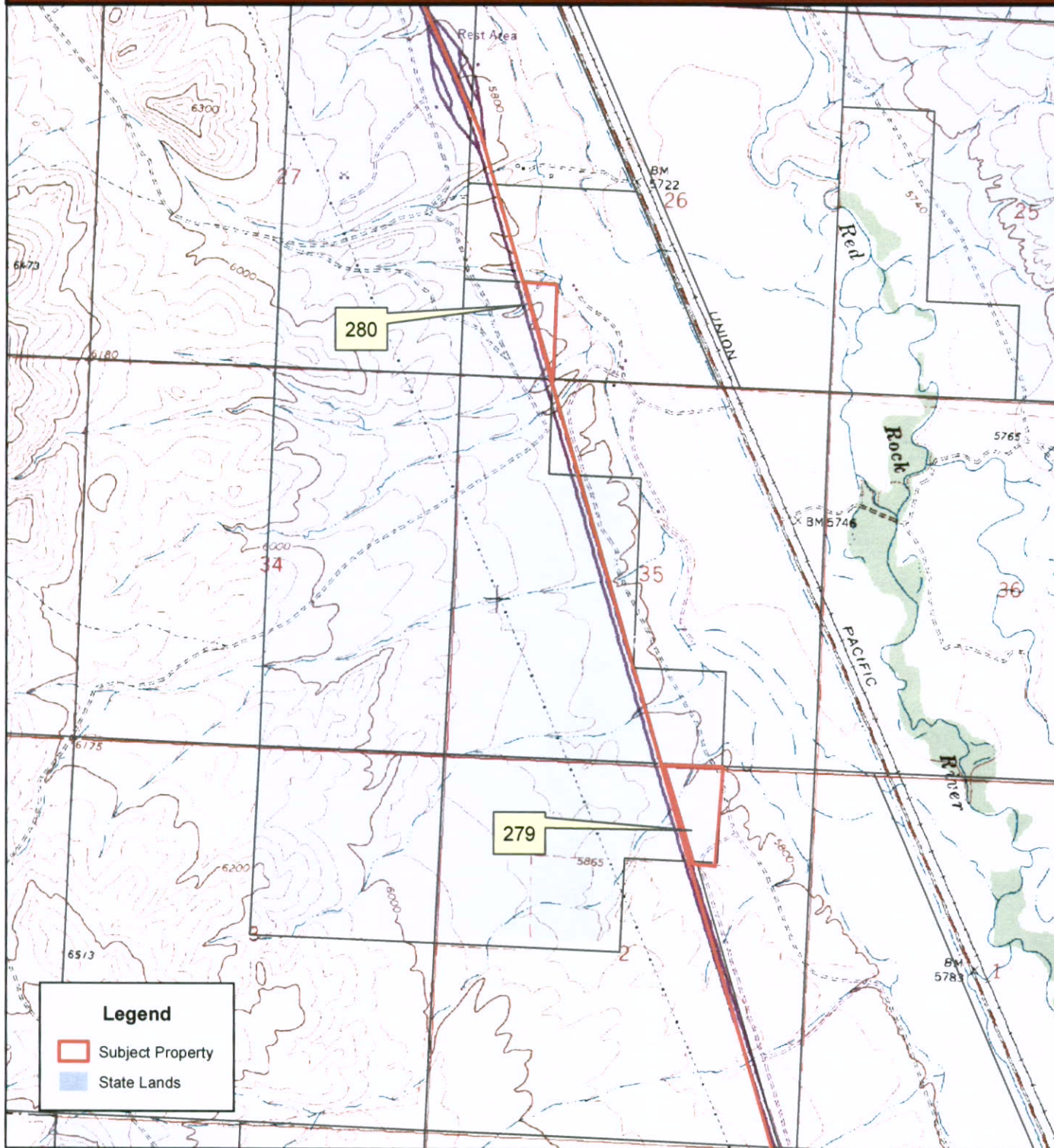
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Twin Bridges, Montana



# DNRC State Trust Lands - Sale ID #279 & #280

## Beaverhead County, Montana



SCALE:  
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1  
Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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Looking northwest across Sale ID #280 towards Interstate 15

2.)     ***Sale ID #280***                      ***T11S-R10W; Sect 26; Part of the SW1/4SW1/4  
east of Interstate 15 - 20 acres***

Sale ID #280 is located approximately a mile north of Sale ID #279. Physical access was gained by walking from the Interstate 15 right-of-way which borders the property to the west. The remainder of the subject parcel is landlocked by the La Cense Ranch, the current Lessee. The parcel is fenced along the west boundary from the Interstate 15 right-of-way; the remainder is not fenced separately from the current Lessee's private lands. The overall topography is a mostly level bench with vegetation of native grasses and some scattered sagebrush. There is a power line easement running near the west boundary, but no visible live water or structural improvements were observed. It has views similar to Sale #280 with the Tendoy Mountains to the west and the Blacktail Range to the east.



Westward view across Sale ID #280 with Interstate 15 and the Tendoy Mtns in the background



Southerly view of Sale ID #280



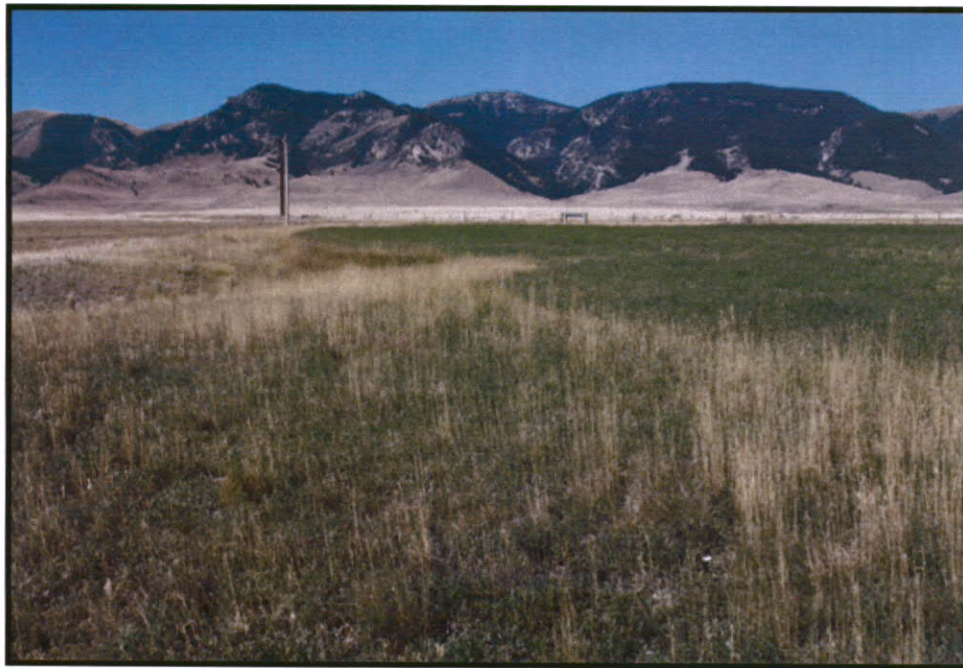


Views of Sale ID #281 from the I-15/Kidd Interchange

3.) ***Sale ID #281                      T12S-R10W; Sect 13; That portion of  
NE1/4NW1/4 lying east of Interstate 15 and north  
of the Kidd exit road - 7 acres***

Sale ID #281 is located at the Interstate 15 Kidd Exit/Interchange and is bordered by Kidd Lane to the south and I-15 to the west. Kidd Lane runs east and west along the southern boundary and this property appears to have direct legal and physical access from Kidd Lane. The Draggin' Y Cattle Company borders the property to the north and east. The subject property is not fenced separately from the Draggin' Y Ranch lands.

This parcel consists of dry native rangeland with no visible onsite water or structural improvements. It appears that one of the neighboring Draggin' Y's center pivots may sprinkle some water on a very small part of this tract in its northern end, however, with no existing boundary fences, it is difficult to determine the exact line and the limited amount of encroachment has no measurable effect on the property's value. There is a power line running along the western boundary and through the southeast corner. The parcel has good views of the Tendoy Mountains to the west and the Blacktail range to the east.



Westward view from the upland bench near the northern boundary of Sale ID #281

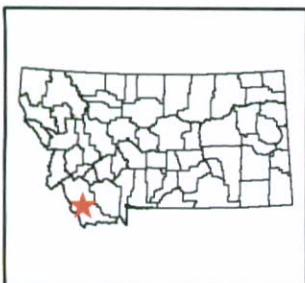
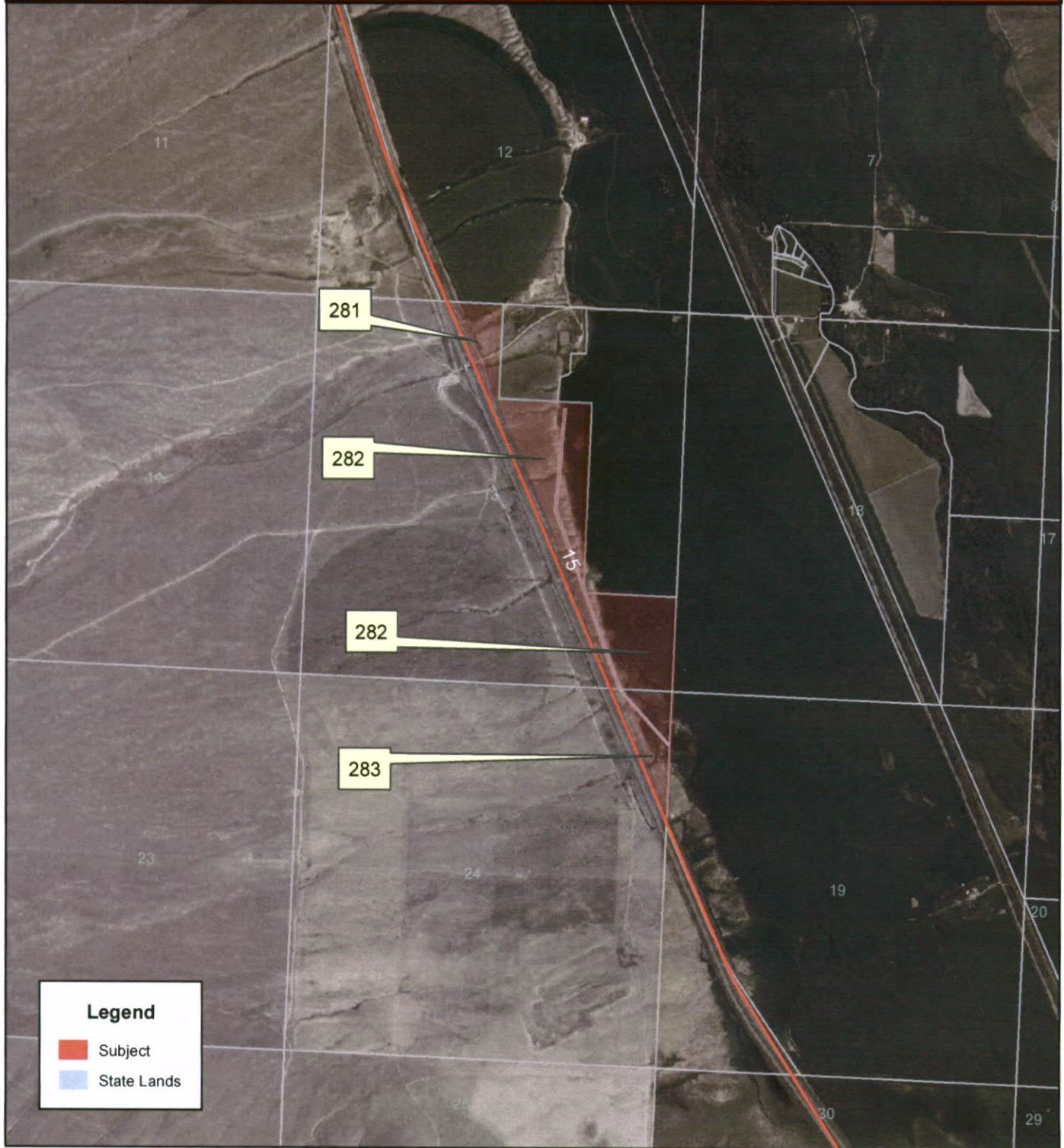


Southwestern view across Sale ID #281 with I-15/Kidd Interchange Exit in the background



# DNRC State Trust Lands - Sale ID #281, #282 & #283

## Beaverhead County, Montana



SCALE:  
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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Southern view of Sale ID #282 along the physical access road

4.) **Sale ID #282** *T12S-R10W; Sect 13; That portion of the SW1/4NE1/4 east of Interstate 15, that portion of the NW1/4SE1/4 east of Interstate 15, and that portion of the SE1/4SE1/4 east of Interstate 15 - 78 acres*

Sale ID #282 contains approximately 78 acres and is located south of Kidd Lane and Sale ID #281. Interstate 15 borders the property on its west boundary and the Draggin' Y Cattle Company, the current Lessee, borders it to the north and east. The southern boundary is bordered by Sale ID #283. The physical access was via a two-track trail across Draggin Y lands. The northwestern portion of the property is an upland bench with a couple small draws consisting primarily of native grasses and sagebrush. An irrigation ditch runs along the east side of the access trail and it appears that there is approximately 20 – 25 acres of Sale ID #282 that are currently, and have historically been, irrigated for native meadow hay and/or pasture. The property is not fenced separately from the neighboring ranch.

There are several irrigation diversions and headgates on the subject property but no other structural improvements. A relatively large irrigation ditch / ground water fed stream flows northerly through the middle of the southern portion of the subject property. The property has nice views of the Blacktail Mountain Range, the Red Rock River Valley and neighboring ranches to the east and the Tendoy Mountains to the west.



Looking east across Sale ID #282's irrigated/sub-irrigated meadow lands

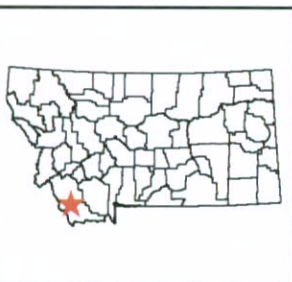
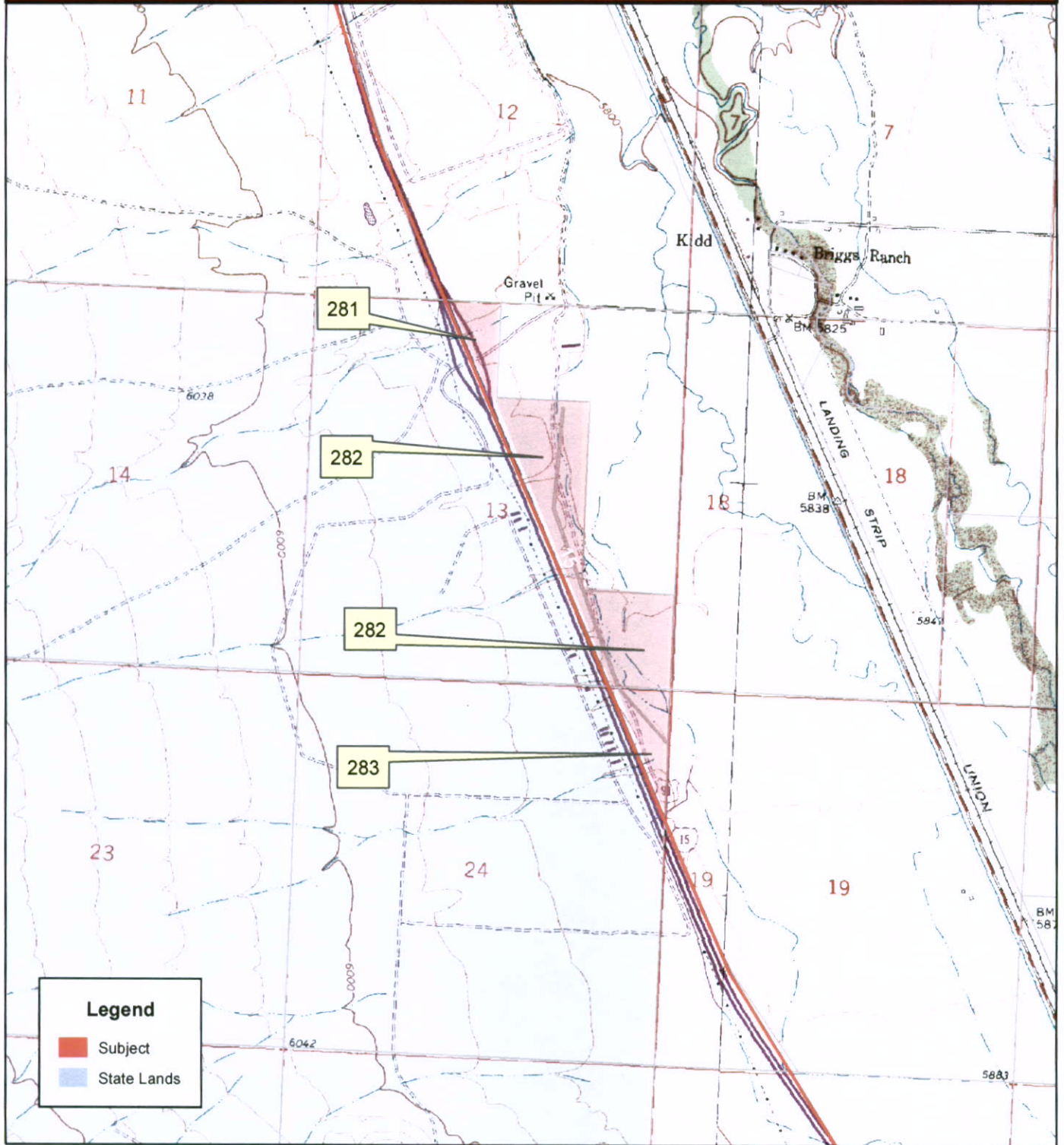


Irrigation diversion on Sale ID #282



# DNRC State Trust Lands - Sale ID #281, #282 & #283

## Beaverhead County, Montana



SCALE:  
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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Southern view of Sale ID #283 with two-track access road

5.)      *Sale ID #283*                      *T12S-R10W; Sect 24; That portion of the  
NE1/4NE1/4 east of Interstate 15 - 15.17 acres*

Sale ID #283 is bordered by Sale ID #282 to the north and Interstate 15 to the west and Draggin' Y/Peters ranch land to the east. It was accessed from Sale ID #282 along the same two-track trail. It appears that about ½ of this property consists of flood irrigated and sub-irrigated pasture with the remainder being native rangeland and dry pasture. A small stream flows from under the Interstate Highway and easterly across this parcel.

The vegetation consists of native grasses, some scattered sagebrush, and there are a few willows near the northern boundary along the stream. There are no structural improvements to the property and it is not fenced except along its western boundary with the interstate right-of-way and some cross fencing with the neighboring ranch.





Irrigated and sub-irrigated pasture on Sale ID #283



Looking north with Sale ID #283 in the foreground

#### **E. Recreational Resources**

Southwest Montana in general is well known for its recreational amenities which include all activities related to wildlife, from hunting and fishing to natural observation and photography, as well as outdoor activities such as hiking, riding, camping, rock climbing, hang gliding, horseback riding, cross-country skiing, and wilderness experiences. Motorized activities such as boating, motorcycling, snowmobiling, and four-wheeling are also possible.

The Tendoy Mountains, a large mountain range dividing Big Sheep Creek from the Red Rock River, are located just west of the subject property in the Beaverhead-Deerlodge National Forest. The subject properties are located within a thirty minute drive of Clark Canyon dam which provides summer and winter activities as well. The subject properties in and of themselves have limited recreational features.

#### **F. Water Resources**

The visible onsite water resources of each property are discussed within the description of each individual property. According to the DNRC Environmental Assessment, there is an irrigation water right (No. 41 A215402) that is associated with Sale ID #282 and #283 and it is assumed that this water right will transfer with the sale of the proposed tracts.

Sale ID#282 and #283 have a combination irrigation ditch and small unnamed spring and ground water fed stream running through them.

#### **G. Utilities**

There are power line easements running along the west boundary paralleling the Interstate 15 right-of-way. The properties do not have well, septic, or telephone installed to them.

#### **H. Mineral Rights**

As stated in the assumptions and limiting conditions of this report, no separate value has been assigned for mineral rights. For this assignment, it is reported that the State of Montana owns the sub-surface mineral rights and that the mineral rights are not presently leased out for any exploration or development. In sales of similar properties in this market area, generally a portion of the existing mineral rights are transferred; however, no specific value is usually assigned. Furthermore, in this specific market area, land sales consummated without the sub-surface minerals often reflect no measurable difference in value that can be attributed to the mineral rights. For purposes of this report, mineral rights are considered to be a part of the overall real

property and no contributive value has been assigned for mineral rights over and above the associated land values.

**I. Timber Rights**

The appraised properties have no timber cover on them. Like with the mineral and water rights, the trees found on the property are considered to be a part of the overall real property and no contributive value has been assigned for timber rights over and above the associated land value.

**J. Zoning & Taxes**

There is no rural zoning in Beaverhead County and the subject properties are tax exempt being State Trust Lands.

**K. Easements and Encroachments**

There were no adverse easements or encroachments observed during our property inspection. As discussed earlier, there is a power line easement running along the west boundary of the properties. A full title search that may reveal additional recorded easements was not conducted by or provided to the appraisers.

**L. Hazards and Detriments**

There did not appear to be any visible hazards associated with the appraised property that are not common or typical with similar properties in the surrounding area. The immediate and surrounding area is known to be home to many noxious weeds but none of any significance was observed on the subjects.

There lack of improved physical access roads to the properties makes traveling to them somewhat difficult and could be considered a detriment. The power line easement interrupts the views of the Tendoy Mountain range to the west and the noise pollution from the busy Interstate 15 could be considered detriments to the property as well.

**M. Environmental Audit**

We are not experts in either the detection of hazardous or toxic substances or structural engineering and did not conduct an environmental audit of the subject property. During our routine property inspection, no visible environmental hazards were evident at the time of the inspection. The property is being appraised assuming there are no toxic or hazardous substances present or associated with the subject property that would render the property more or less

valuable. Should it be discovered that there are toxic or hazardous substances located on the subject property, we reserve the right to re-assess the situation and adjust values if deemed necessary.



### III. VALUATION PROCESS

#### A. Introduction and Outline

The appraisal process is an orderly program whereby the appraisal problem and purpose is defined, the work necessary to solve the problem is outlined, and the pertinent data is acquired, classified, analyzed, and interpreted into an estimate of value.

Generally accepted appraisal procedures follow a typical sequence to estimate market value of any subject property. The sequence is outlined below:

- 1.) Research and analyze the subject property and its corresponding market;
- 2.) Determine Highest and Best Use of the subject property;
- 3.) Select appropriate appraisal method(s) to estimate property value;
- 4.) Apply selected method(s) to the subject property;
- 5.) Correlate and/or reconcile values indicated by the selected method(s) into a final estimate of value;
- 6.) Analyze extraordinary circumstances, if any, of the subject property that may have an effect on the final conclusion of value.

As discussed, the properties being appraised herein are currently subject to agricultural lease agreements and they do not possess legal access. Under the Scope of the Appraisal and Assignment Conditions prepared by the client, the properties are to be appraised with the hypothetical condition that the leases do not exist and the landlocked parcels (parcels with no legal access) are to be appraised with the hypothetical condition of having legal access. If market data is available to provide a credible estimate of the property's "as is" value without access, then the appraisal will demonstrate the value of the subject property "as is" without legal access.

For this assignment, the appraisal will estimate the value of the subject properties with the hypothetical condition that no leases exist and that the subject parcels possess legal access. Our market research did not reveal any current market data of similar landlocked parcels from the defined market area, thus, the "as is" value of the property without legal access could not be determined.

At the direction of the client, each of the individual parcels of the subject property will be appraised independently in the following pages of this report after the general market discussion and analysis.

## B. Highest and Best Use

The market value of a property is estimated according to its Highest and Best Use. In determining highest and best use, a complete analysis of the area surrounding an appraised property should be made to ascertain market trends and demands. Consideration of established uses in the area and the features of the subject must also be analyzed.

Highest and Best Use is defined with The Dictionary of Real Estate Appraisal, Third Edition as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

The analysis of highest and best use begins with the discovery of what uses are *legally permissible*. Are there laws, covenants or zoning that prevent certain uses of the subject property? Of those legally permissible uses, which uses are *physically possible*? Of those legally permissible and physically possible uses, which uses are *financially feasible*? Do the anticipated returns outweigh the anticipated costs? Finally, of the uses shown to be legally permissible, physically possible and financially feasible, which use will generate the greatest net return or prove to be *maximally productive*? That use which satisfies these four criteria is considered to be the appraised property's Highest and Best Use.

In determining highest and best use, proper appraisal theory states that one must also consider the property under two separate scenarios; the highest and best use of the property as though it were vacant and the highest and best use of the property as if structurally improved.

### HIGHEST AND BEST USE --- As is Vacant and Unimproved

As discussed earlier, the subject parcels are vacant and structurally unimproved. They are located in rural areas with the historical land use being for agricultural livestock grazing purposes. Rural residential development in Beaverhead County has been occurring for several years and has been expanding to the more rural and outlying areas. These developments vary from seasonal and year-round rural residential homesites and hobby ranchettes (5 to 40- acre tracts) to executive homesites and recreational ranches ranging from 40 to 100 acres in size to upwards of several thousand acres. The local market has been active and a good demand exists for all types of property.

Legally Permissive Uses: As discussed earlier, there is no rural zoning in Beaverhead County and it is specifically assumed that the subject properties are not, and will not be, subject to any deed restrictions, covenants, or other land use restrictions. Thus, many differing and varied uses are legally permissive for the subject properties. These potential uses would include agriculture, wildlife habitat, recreation, investment, open space and conservation, and countless variations of residential, commercial, and/or industrial development. However, subdivision of any property creating parcels less than 160 acres in size requires a state-mandated subdivision review process.

The properties being appraised herein vary in size from 7 to 78 acres and, therefore, could not be further subdivided into smaller tracts without going through the county subdivision process or some type of family conveyance or boundary adjustment procedure. Research of the surrounding area and competing areas revealed that the primary uses of similar properties are for rural residential development, recreational, investment, and agricultural uses. Typical buyers can be long-term local residents, wealthy neighboring landowners, or out-of-state investor types.

Physically Possible Uses: All of the legally permissive uses are generally physically possible on portions of the appraised property as there are no physical limitations to certain areas of the properties that would prohibit the legally possible uses. Therefore, the legally permissive and physically possible uses of the appraised property would be the industrial, commercial, and residential development along with the agricultural, recreational, open space, and investment uses discussed above.

Financially Feasible Uses: Of the legally permissible and physically possible uses outlined above, the industrial and commercial uses would not be financially feasible due to the properties' limited physical access and rural and rather remote location from any major economic Montana hub. Strictly agricultural uses would be eliminated due to financial feasibility. Our research of the surrounding market area revealed that values paid for similar properties and lands in the immediate area far exceed the value that could be sustained solely by agriculture. Historically, ranch properties were marketed on a \$/animal unit basis. Now that transition is taking place and agriculture has limited economic return, most properties are sold on a \$/acre basis. Extensive studies of many areas of Montana reveal value indications of \$4,000 to \$15,000 per animal unit on these transitional properties where we used to see agriculturally based sales indicating \$1,000 to \$2,000 per animal unit. The subject properties' small size does not represent an economical agricultural unit and the viability of small properties like the subject for strictly agricultural uses is limited in this area. Values being paid for similar sized properties in the immediate area far exceed the value that could be sustained solely by agricultural income. Strictly agricultural uses therefore would be eliminated under the financial feasibility test.

The financial feasibility of owning a rural and recreational/investment property over a certain holding period, in order to realize appreciation and return on investment, is good. In actuality, in an appreciating investment such as that found in the area of the subject, a specific highest and best use for a property aside from investment and anticipation of future use may not be apparent

based on the sales price paid for the property. Often, any of the physical uses capable on the property at the time of purchase, such as subdivision, development, and agricultural uses, do not in and of themselves warrant the required economic investment to purchase and hold the property on an individual basis. This is a common trend in rural recreational land markets throughout the west, and is explained by the fact that participants in these markets are buying properties with a strong anticipation of appreciation and value growth. As will be discussed later, the immediate and surrounding market areas reflect annual appreciation rates ranging from about 5% to 10% per year with high-amenity properties reflecting upwards of 10% to 15% or more, per year over the past five to ten years which exceeds many alternative investments. In addition, these buyers place a high degree of value on the personal amenities and uses the property allows them during this ownership. These may be as simple as enjoying the aesthetic quality and features of the property.

Rural residential development of the property for personal residential uses in accordance with the state and local regulations is deemed to be financially feasible in conjunction with the remaining recreational and investment uses. The subject properties have potential building sites located on all five parcels. Financially feasible uses to this point are narrowed down to rural residential development, investment, and recreational uses.

Maximally Productive Use: The uses remaining to this point are now reduced to rural residential development, investment, and recreational uses. As described earlier, the subject properties are primarily rural rangeland properties with good mountain and river valley views.

It is important to note that in order to assign a highest and best use to the subject properties, the Appraisers have considered four primary screens that revolve around economic, legal, physical and productive use of the property. As described, a conclusion that any single use is considered the most productive use of the property is generally not supported in an analysis of the market and of the sales used for comparison purposes. The sale properties reflect values influenced by numerous active physical uses such as residential and recreational development, as well as numerous intrinsic and anticipated uses relative to speculation and future benefits to be derived from these properties. The maximally productive use, or that use which generates the greatest overall return, appears to be a combination of the above uses that is termed a ***Rural Residential / Recreational Use*** with investment overtones. The current agricultural use is deemed to be an interim use. Thus, the Highest and Best Use of the subject property, as vacant, is deemed to be a Rural Residential and/or Recreational Use.

### C. Approaches to Value – Definitions

There are three traditional approaches to value: the income or earnings approach, the cost approach and the sales comparison approach. A brief discussion of the approaches is followed by an analysis of the appropriateness of the approaches for the subject property.

The Sales Comparison Approach indicates the value of a property from a direct comparison of the subject property to sales of similar properties on a single, overall unit of measure. In applying this approach, the appraiser employs the principle of substitution: a prudent buyer is assumed to not be willing to pay more for a property than it would cost him or her to buy another property with equally desirable characteristics. Conversely, a seller will sell his property for no less than what similar properties are selling for. Several “units of measure” such as square footage, acres, and animal units emerge when using this method depending on the type of property being appraised.

The Cost Approach employs the principle of contribution and is an estimation of the value of the property as if vacant, and then adding the current costs of reproducing the improvements, less all forms of current depreciation. Vacant land sales are the most persuasive indicators of land value and individual, component values are assigned to each type and class of land as derived from the current market. Building residual values reflect the rates of contribution and depreciation applicable to improvements in a given market. Reproduction cost values used in this analysis are derived from the Marshall and Swift Valuation Service. These published costs are periodically checked against actual local construction costs for accuracy. Physical depreciation of the improvements is based on the age-life method for incurable items. Depreciation for curable items is based on estimates of the cost to cure such curable items. Land valuation is derived from a component analysis of the selected market data where individual component values are assigned to each type and class of land as derived from the market. Values assigned are based on market data of pure, one-component sales and suggested trends and ratios between the land classes.

The Income Approach in rural appraisals is based on the principle of anticipation and is a value indication of a property based on its anticipated ability to generate income. This method is employed by processing the anticipated net income of the subject property with a capitalization rate determined from the market. The division of the comparable sale property’s net income by its sale price will yield a capitalization rate that is reflective of the overall rate of return for that specific property. This analysis of the comparable sales will provide a range of value of the rates of return that are occurring in the present market. From this range, a probable rate of return can then be applied to the subject property’s estimated net income to predict a probable market value. The reader should realize that these cap rates and rates of return may appear to be low as compared to alternative investments; however, it appears to be acceptable due to the anticipated appreciation in land values and tax advantages from depreciation of improvements. It also indicates that buyers are investing in agricultural lands without expecting them to cash flow.

#### **D. Valuation Approach Selection**

The three traditional approaches to value were considered to estimate the market value of the subject property. A review and study of the appropriate market suggests that the residential, recreational, and aesthetic values and the relatively limited supply of available properties in this area are influencing value more than the agricultural income potential of the property.

The income approach is typically employed when estimating market value of income producing properties such as larger agricultural units and/or commercial properties. When researching this market and interviewing market participants, it is apparent that the income resource of similar properties is a secondary (at best) consideration and the land is commonly viewed as a second residence or an investment for appreciation rather than its income potential since many times these ranch properties are operated at reduced levels of carrying capacity in order to enhance the wildlife and recreational features of the property. These factors complicate the application of the income approach and led us to conclude it is of limited use in this assignment and thus is not incorporated herein.

The cost approach is typically utilized when appraising properties with new and/or significant structural improvements and/or differing land classes that demonstrate independent values among the land classes. The State Land Trust parcels are vacant and structurally unimproved and the land consists primarily of one land class. The amount of irrigated land in Sale ID#282 and #283 are not significant enough to derive a separate value for them. Therefore the cost approach will not be prepared in this assignment.

Our research and analysis of the subject property and its corresponding market area indicated that the most accurate and reliable method of estimating the subject property's market value is by employing the sales comparison approach. The sales comparison approach is a method of estimating value by comparing the appraised property to sale properties on a single, overall unit of value. This approach utilizes the analysis of arm's-length transactions of lands in the vicinity of and comparable to the land under appraisal. These transactions are typically referred to as "comparable sales" and the method of forming an opinion of a property's market value through comparison of these sales to the appraised property is known as the sales comparison approach. In applying this approach, the appraiser employs the principle of substitution: a prudent buyer is assumed to not be willing to pay more for a property than it would cost him or her to buy another property with equally desirable characteristics. Conversely, a seller will sell his property for no less than what similar properties are selling for. Several "units of measure" such as square footage, acres, and animal units emerge when using this method depending on the type of property being appraised. The sales comparison approach will be utilized and presented in the following pages of this report.

## **E. Market Observations**

For this assignment, we completed a wide review of the market area surrounding the appraised property in order to ascertain activity and value under market conditions for similar-sized rural properties as of September 12, 2008.

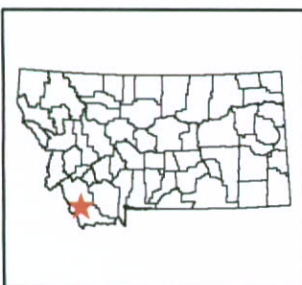
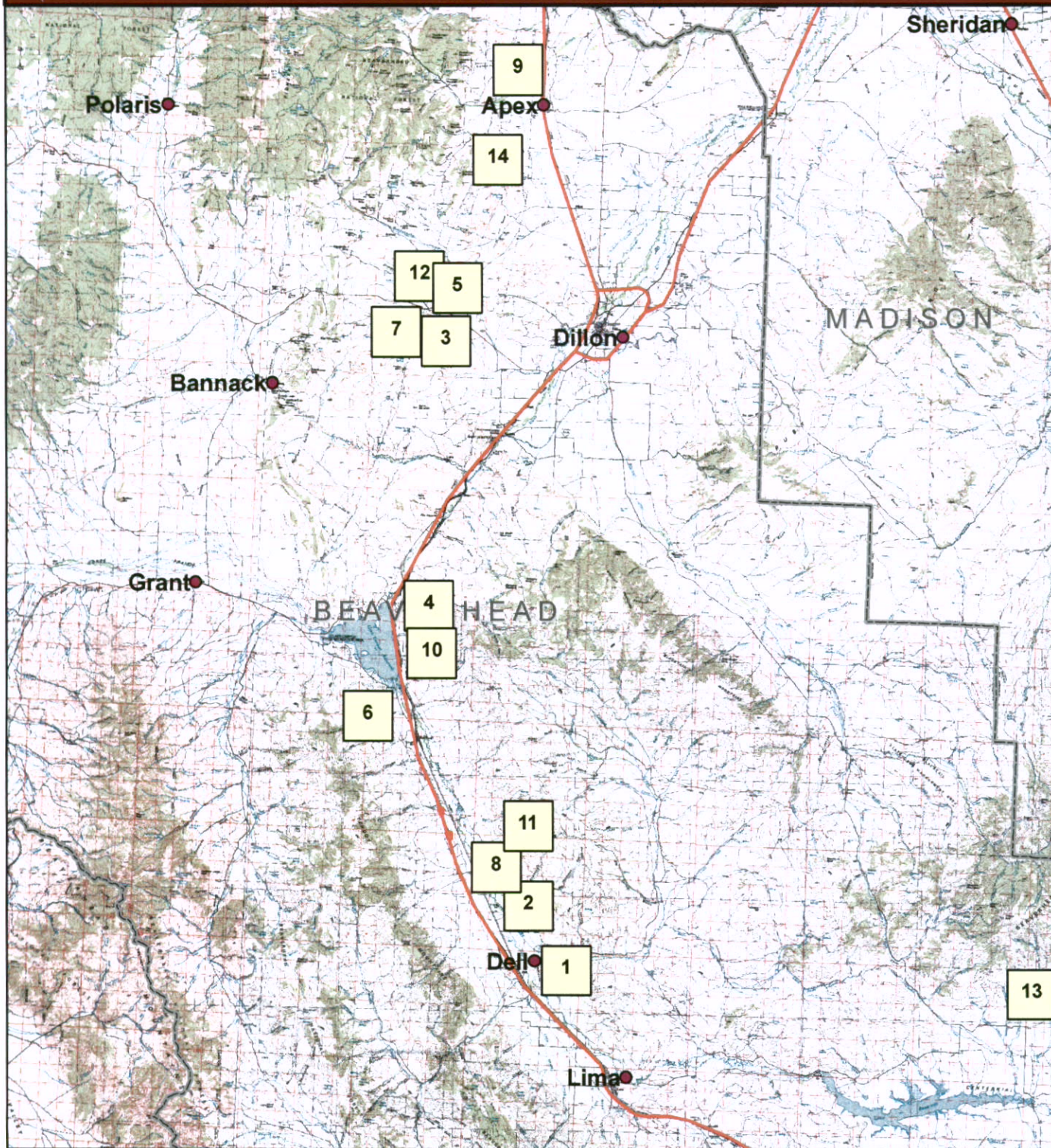
Southwestern Montana is an area strongly influenced in value and use by its locational, aesthetic, and recreational amenities, and has experienced substantial rural property development. This local area market is exhibiting tendencies reflected throughout the western United States, particularly in Colorado, Wyoming, Idaho, and Montana. These mountainous states have excellent recreational features and have been heavily influenced by land development and outside investment. Throughout this broad region, increased demand has depleted supplies of unimproved land. The market is out of equilibrium; prices have risen, and continue to rise, as demand increases and supply decreases. The surrounding market area of the subject property is experiencing increasing population growth and rural development, especially for rural residential and/or seasonal and second home properties. Developments ranging from planned unit and small-tract lot subdivisions to unregulated larger acreage subdivisions are occurring.

The market area initially investigated in this assignment was Southwestern Montana for the sale of recreational and rural residential properties most like the subject property. Historically, southwest Montana has been a relatively strong market area because of its rivers, mountains, and productive agricultural lands, but in the past 5 to 10 years it has strengthened due to the investors high demand placed on recreational properties. Even with the present economic "slowdown" of the U. S. economy and stagnant or falling residential real estate markets of the east and west coasts and in the larger metropolitan areas, there continues to be a demand for recreational and rural residential properties like the subjects in southwest Montana.

The researched market area is defined herein as being Beaverhead and Madison Counties with most emphasis placed on those sales with the most similar features to nearest the subject parcels. As discussed, the local area market has been strong and values have been trending upwards over the past 5 to 10 years or more. Sales and re-sales from the immediate neighborhood and outlying market areas with similar competing market forces in Montana, indicate that values have been trending upwards at rates varying from approximately 4% to 17% per year. This is evidenced by the sale pairings shown in the addenda. Of these fourteen sale pairing indicators, those sales with the physical features and characteristics most similar to the appraised property with a rural residential / recreational highest and best use show appreciation rates of 7% to 13%. The most similar property pairings reflect appreciation rates of approximately 10%. For this assignment, an appreciation rate from the middle of the suggested range of values is deemed to be appropriate in order to be conservative and an annual appreciation rate of 10% will be applied to those sales that occurred more than one year prior to the date of valuation. Those sales that occurred within one year of the date of valuation are deemed to be accurate indicators of current market value and no time adjustments were made. The sale and re-sale pairing for time and market appreciation is presented in the addenda of this report.



# DNRC State Trust Lands - Proposed Sale ID #179, #280, #281, #282 & #283 Comparable Sale Map



SCALE:  
1:474,074

0 2.5 5 10  
Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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**2.) Sale ID #279 T12S-R10W; Sect 2; Part of Lot 2 east of  
Interstate 15 - 21.63 acre**

Sale ID #279 contains 21.63 acres that is located approximately ten miles north of Lima and two miles north of the Kidd Exit Interchange. It consists of a native grasses located on an upland bench adjacent to Interstate 15 and has challenged physical access. Those sale properties with the location, physical features, and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

**MARKET DATA – Time Adjusted**

<b>Sale</b>	<b>Sale Date</b>	<b>Seller</b>	<b>Deeded acres</b>	<b>Sale price per acre</b>
#3	3/08	Dons Ranch	20	\$4,750
4	5/07	Prine	18	3,389
5	2/07	Huttunen	20	2,914
6	1/07	Briggs	20	9,083
7	11/06	Cooper	24	4,398
10	8/06	Walker	10	6,683
12	4/06	Lashlee	20	1,842
13	11/05	BVSR	24	2,430

The sales illustrated above reflect a rather large range in value of from \$1,842 to \$9,083 per acre on an overall unimproved sales price per deeded acre basis. This range in value can be attributed to many different and independent factors such as location, size, water resources, land classifications, productivity, and aesthetics and amenities like views and overall site appeal. This range in suggested sale values will be narrowed through an analysis of each of these factors.

For those properties with features that are inferior to those of the subject property, a positive adjustment for this feature would be necessary to make the sale property like the subject property. Conversely, for those properties with features or factors that are superior to those of the subject property, a negative adjustment to the sale property would be required to make the sale property like the subject property.

In this assignment, the only adjustments that could be measured on a distinct dollar-per-acre basis were for time / market appreciation which was made earlier herein. As discussed earlier the time adjustment was determined to be 10% annual appreciation from the Sale / Re-sale pairing analysis, and those sales that occurred prior to September 2007 were adjusted upward for time and market appreciation.

Pairing and analyzing the above sales data for factors and features such as location, size, access, water, and amenities did not reveal any specific dollar-per-acre differences that could be attributed to any single factor or feature. This analysis and pairing did however; reveal that a general comparative analysis could be made on an overall basis of comparison with ratings being: similar or equal, superior, and inferior.

When considering the above factors and features of each sale property in relation to those of the subject property, it revealed an overall comparability of the sales to the appraised property as shown below.

<b>Sale</b>	<b>Indicated Value</b>	<b>Overall Comparability</b>
Sale #3	\$4,750 / acre	Equal or Similar
Sale #4	\$3,389 / acre	Equal or Similar
Sale #5	\$2,914 / acre	Equal or Similar
Sale #6	\$9,083 / acre	Superior
Sale #7	\$4,398 / acre	Equal or Similar
Sale #10	\$6,683 / acre	Superior
Sale #12	\$1,842 / acre	Equal or Similar
Sale #13	\$2,430 / acre	Equal or Similar

A ranking or bracketing of the sales data shows the following:

<b><u>Inferior Sales</u></b>	<b><u>Similar Sales</u></b>	<b><u>Superior Sales</u></b>
	\$1,842	\$6,683
	\$2,430	\$9,083
	\$2,914	
	\$3,389	
	\$4,398	
	\$4,750	

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property will fall between \$1,842 per acre and \$4,750 per acre. Sales #6 and #10 are located at or very near the Clark Canyon Reservoir and their recreational features and overall appeal are considered superior to the subject property. The remaining sales are considered to be "Similar" overall to the subject after adjustments and are generally equal to, or not distinguishable from, the subject property. Due to the more rural location of the subject property and its proximity to Interstate 15 and its limited physical access, a value conclusion from the lower end of the "Similar" sales is considered reasonable and appropriate. The three sales at the lower end of the range in value reflect values of \$1,842, \$2,430, and \$2,914 per acre and a final value conclusion of \$2,500 per acre was drawn for Sale ID #279. This results in a market value of \$54,000 for Sale ID #279 as shown below.

$$21.63 \text{ acres } @ \$2,500 / \text{acre} = \$54,075$$

Rounded to: \$54,000

**3.) Sale ID #280**

***T11S-R10W; Sect 26; Part of the SW1/4SW1/4  
east of Interstate 15 - 20 acres***

Sale ID #280 consists of 20 acres and located a mile north of Sale ID #279. It is an open, mostly level piece of native rangeland with some scattered sagebrush. It is adjacent to Interstate 15 and has the same power line running along its western boundary Sale ID #279. Its size, physical features, and location are very similar to those of Sale ID #279. The sale properties with the physical features and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

**MARKET DATA – Time Adjusted**

<b>Sale</b>	<b>Sale Date</b>	<b>Seller</b>	<b>Deeded acres</b>	<b>Sale price per acre</b>
#3	3/08	Dons Ranch	20	\$4,750
4	5/07	Prine	18	3,389
5	2/07	Huttunen	20	2,914
6	1/07	Briggs	20	9,083
7	11/06	Cooper	24	4,398
10	8/06	Walker	10	6,683
12	4/06	Lashlee	20	1,842
13	11/05	BVSR	24	2,430

The sales illustrated above reflect a rather large range in value of from \$1,842 to \$9,083 per acre on an overall unimproved sales price per deeded acre basis. This range in value can be attributed to many different and independent factors such as location, size, water resources, land classifications, productivity, and aesthetics and amenities like views and overall site appeal. This range in suggested sale values will be narrowed through an analysis of each of these factors.

When considering the comparability factors and features of each sale property in relation to those of the subject property as in the previous property valuation, it revealed an overall comparability of the sales to the appraised property as shown below.

<b>Sale</b>	<b>Indicated Value</b>	<b>Overall Comparability</b>
Sale #3	\$4,750 / acre	Equal or Similar
Sale #4	\$3,389 / acre	Equal or Similar
Sale #5	\$2,914 / acre	Equal or Similar
Sale #6	\$9,083 / acre	Superior
Sale #7	\$4,398 / acre	Equal or Similar
Sale #10	\$6,683 / acre	Superior
Sale #12	\$1,842 / acre	Equal or Similar
Sale #13	\$2,430 / acre	Equal or Similar

A ranking or bracketing of the sales data shows the following:

<b><u>Inferior Sales</u></b>	<b><u>Similar Sales</u></b>	<b><u>Superior Sales</u></b>
	\$1,842	\$6,683
	\$2,430	\$9,083
	\$2,914	
	\$3,389	
	\$4,398	
	\$4,750	

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$1,842 per acre and \$4,750 per acre. Parcel ID #280 is very similar to the previous tract (ID #279) and its value is expected to be similar to ID #279. Again, due to the rural location of the subject property, it's somewhat difficult physical access, and its location next to Interstate 15, Sales #5, #12, and #13 are considered most similar to the subject property. These three sale indicators reflect values of \$2,914, \$1,842, and \$2,430 per acre respectively. Therefore, a final value conclusion of \$2,500 per acre was drawn for Sale ID #280. This results in a market value of \$50,000 for Sale ID #280 as shown below.

$$20 \text{ acres } @ \$2,500 / \text{acre} = \$50,000$$

4.) **Sale ID #281** *T12S-R10W; Sect 13; That portion of NE1/4NW1/4 lying east of Interstate 15 and north of the Kidd exit road - 7 acres*

Sale ID #281 contains seven acres located at the Kidd Exit Interchange along Interstate 15. It consists of dry native rangeland with good physical access. The subject property has good views of the Blacktail and Tendoy Mountain ranges and the surrounding ranch lands. Those sale properties with the location, physical features, and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

### MARKET DATA – Time Adjusted

Sale	Sale Date	Seller	Deeded acres	Sale price per acre
#1	Pending	Dell, LLC	4	\$8,536
3	3/08	Dons Ranch	20	4,750
4	5/07	Prine	18	3,389
5	2/07	Huttunen	20	2,914
6	1/07	Briggs	20	9,083
7	11/06	Cooper	24	4,398
10	8/06	Walker	10	6,683
12	4/06	Lashlee	20	1,842
13	11/05	BVSR	24	2,430

When considering the comparability factors and features of each sale property in relation to those of the subject property, it revealed an overall comparability of the sales to the appraised property as shown below.

Sale	Indicated Value	Overall Comparability
Sale #1	\$8,536 / acre	Superior
Sale #3	\$4,750 / acre	Equal or Similar
Sale #4	\$3,389 / acre	Equal or Similar
Sale #5	\$2,914 / acre	Equal or Similar
Sale #6	\$9,083 / acre	Superior
Sale #7	\$4,398 / acre	Equal or Similar
Sale #10	\$6,683 / acre	Superior
Sale #12	\$1,842 / acre	Equal or Similar
Sale #13	\$2,430 / acre	Equal or Similar



A ranking or bracketing of the sales data shows the following:

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$1,842	\$6,683
	\$2,430	\$8,536
	\$2,914	\$9,083
	\$3,389	
	\$4,389	
	\$4,750	

As in the earlier valuations, after the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$1,842 per acre and \$4,750 per acre. Being located at the I-15 Interchange/Kidd Exit gives the subject some potential future commercial possibilities due to the limited number of interchange sites along the interstate. Of the sales considered superior, Pending sale #1 (at \$8,536 per acre) has some of those same development characteristics being located near the I-15 Interchange/Dell Exit approximately six miles south of the subject property. The Dell Interchange has already experienced some prior development which suggests that the sale is superior to the subject and would set the upper limit of value. Therefore, when analyzing the "Similar" sales, Sale #3 and #7 (\$4,750 and \$4,389 per acre respectively) are located closer to development areas and have the same overall physical features and physical access characteristic as the subject property.

In the final analysis, Sales #3 and #7 are deemed to be the best indicators of value for the subject property. When considering all sale indicators with most weight given to Sales #3 and #7, a value conclusion of \$4,500 per acre was drawn for Sale ID #281. This results in a market value of \$31,500 for Sale ID #281 as shown below.

$$7 \text{ acres } @ \$4,500 / \text{acre} = \$31,500$$

- 5.) **Sale ID #282** *T12S-R10W; Sect 13; That portion of the SW1/4NE1/4 east of Interstate 15, that portion of the NW1/4SE1/4 east of Interstate 15, and that portion of the SE1/4SE1/4 east of Interstate 15 - 78 acres*

Sale ID #282 consists of 78 acres that sits south of Sale ID #281 and east of Interstate 15. It consists of a combination of irrigated hayland/pasture and native rangeland pasture. It has good views of the surrounding mountain ranges and ranch lands with a year-round irrigation ditch / ground water-fed stream flowing through the center of the property. Like the parcels identified before, those sale properties with the location, physical features, and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

### MARKET DATA – Time Adjusted

Sale	Sale Date	Seller	Deeded acres	Sale price per acre
#2	Pending	Stanford	360	\$1,750
8	9/06	Meyer	20	3,798
9	9/06	Heritage West	320	2,761
11	7/06	Meyer	369	2,368
14	8/05	Hagenbarth	160	2,339

When considering the comparability factors and features of each sale property in relation to those of the subject property, it revealed an overall comparability of the sales to the appraised property as shown below.

Sale	Indicated Value	Overall Comparability
Sale #2	\$1,750 / acre	Equal or Similar
Sale #8	\$3,798 / acre	Superior
Sale #9	\$2,761 / acre	Equal or Similar
Sale #11	\$2,368 / acre	Equal or Similar
Sale #14	\$2,339 / acre	Equal or Similar

A ranking or bracketing of the sales data shows the following:

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$1,750	\$3,798
	\$2,339	
	\$2,368	
	\$2,761	

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$1,750 per acre and \$2,761 per acre. Sale #2 is a pending sale that does not appear to be supported by the general market data and is considered a low indicator of value. Sales #9, #11, and #14 (at \$2,761, \$2,368, and \$2,339 per acre respectively) are deemed equal to, or not distinguishable from, the subject property in terms of their physical features and overall characteristics and reveal a rather narrow range of value. Of those sales, Sale #9 (\$2,761 per acre) is most similar to the subject property.

In the final analysis when considering all sale indicators with most weight given to Sale #9, a final value conclusion of \$2,750 per acre was drawn for Sale ID #282. This results in a market value of \$214,500 for Sale ID #282 as shown below.

$$78 \text{ acres } @ \$2,750 / \text{acre} = \$214,500$$

6.) **Sale ID #283**      ***T12S-R10W; Sect 24; That portion of the  
NE1/4NE1/4 east of Interstate 15 - 15.17 acres***

Sale ID #283 consists of 15.17 acres and borders Sale ID #282 to the south and has similar overall physical features to Sale ID #282. There is a small portion of flood-irrigated pasture on the property. Those sale properties with the location, physical features, land mix classifications, and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

### MARKET DATA – Time Adjusted

Sale	Sale Date	Seller	Deeded acres	Sale price per acre
#2	Pending	Stanford	360	\$1,750
8	9/06	Meyer	20	3,798
9	9/06	Heritage West	320	2,761
11	7/06	Meyer	369	2,368
14	8/05	Hagenbarth	160	2,339

The sales illustrated above reflect a range in value of from \$1,750 to \$3,798 per acre on an overall unimproved sales price per deeded acre basis. This range in value can be attributed to many different and independent factors such as location, size, water resources, land classifications, productivity, and aesthetics and amenities like views and overall site appeal. This range in suggested sale values will be narrowed through an analysis of each of these factors.

When considering the above factors and features of each sale property in relation to those of the subject property, it revealed an overall comparability of the sales to the appraised property as shown below.

Sale	Indicated Value	Overall Comparability
Sale #2	\$1,750 / acre	Equal or Similar
Sale #8	\$3,798 / acre	Superior
Sale #9	\$2,761 / acre	Equal or Similar
Sale #11	\$2,368 / acre	Equal or Similar
Sale #14	\$2,339 / acre	Equal or Similar

A ranking or bracketing of the sales data shows the following:

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$1,750	
	\$2,339	
	\$2,368	
	\$2,761	
	\$3,798	

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$1,750 per acre and \$3,798 per acre. The sales considered to be "Similar" to the subject after the appropriate adjustments were made are generally equal to, or not distinguishable from, the subject property with the exception of overall size. Sales #2, #9, #11, #14 are all significantly larger in size than the subject and their size is considered inferior to the subject. Sale #8 (20 acres - \$3,798 per acre) is most similar in size and is located approximately 10 miles south of the subject property. Sale #8 is deemed to be the best indicator of value for Sale ID#283 and a final value conclusion of \$3,500 per acre was drawn for Sale ID #283. This results in a market value of \$53,000 for Sale ID #283 as shown below.

$$15.17 \text{ acres } @ \$3,500 / \text{acre} = \$53,095$$

Rounded to: \$53,000



## **H. Valuation Summary and Reconciliation**

We considered the three traditional methods of estimating the market value of the subject properties and it was determined that the sales comparison approach was the most applicable measure of value in this assignment. The income approach is typically employed when estimating market value of income producing properties such as larger agricultural units and/or commercial properties. When researching this market and interviewing market participants, it became apparent that the income resource of similar properties is a secondary (at best) consideration and the land is commonly viewed as a second residence or an investment for appreciation rather than its income potential since many times these ranch properties are operated at reduced levels of carrying capacity in order to enhance the wildlife and recreational features of the property. These factors complicated the application of the income approach and led us to conclude it was of limited use in this assignment and thus was not incorporated herein.

The cost approach is typically utilized when appraising properties with new and/or significant structural improvements and/or differing land classes that demonstrate independent values among the land classes. The Stand Land Trust parcels are vacant and structurally unimproved and the land consists primarily of one land class. Therefore the cost approach was not conducted in this assignment.

There was a fair amount of high quality sales data available in this assignment as the sales were located in the immediate market area and possessed features and characteristics generally similar to those of the appraised property. These sales were utilized within the sales comparison approach and are deemed to be accurate and reliable indicators of market value for the appraised property. Thus, we conclude that as of September 12, 2008, the market value of the individual parcels of the State Land Trust as identified previously are those shown below.

Sale ID #279:	21.63 acres	\$54,000
Sale ID #280:	20.00 acres	\$50,000
Sale ID #281:	7.00 acres	\$31,500
Sale ID #282:	78.00 acres	\$214,500
Sale ID #283:	15.17 acres	\$53,000

The above-concluded values consider the surface fee ownership rights of the real property and are in terms of cash. The appraised values are based on an exposure time of six to eighteen months and the hypothetical condition that current leases do not exist and each parcel possesses legal access.

Our market research did not reveal any current market data of similar landlocked parcels from the defined market area, and thus, the "as is" value of the property without legal access could not be determined.

## **LIMITING CONDITIONS**

**CONTINGENT AND LIMITING CONDITIONS:** The certification of the Appraisers appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assumes no responsibility for matters of legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

2. Any sketch or map displayed in the report may show approximate property boundaries and dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.

3. The contract for appraisal, consultation, or analytical services is fulfilled upon completion of the report and the total fee is due and payable upon completion and delivery of the report. The Appraisers are not required to give testimony or appear in court, nor engage in post appraisal consultation with third parties because of having made the appraisal except under separate arrangement and at an additional fee. If testimony or deposition is required because of subpoena, the client shall be responsible for any additional time, fees, and charges regardless of the issuing party.

4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.

6. Information, estimates, and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraisers can be assumed by the Appraisers.

7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the Appraisers are affiliated. The appraisers will not divulge the material contents of this report, the analytical findings or conclusions, or provide copies to anyone other than the client or his designees. This report may be subject to confidential peer review for Standards and Ethics compliance.

8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraisers are connected), shall be used for any purposes by anyone but the client specified in the report, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or the other media, without the written consent and approval of the Appraisers.

9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

10. The Appraisers do not in any way warrant or represent that the property may or may not be insurable and assume no responsibility for determining such conditions.

11. This appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of The Appraisal Foundation. The appraisal conducted herein is deemed to be a complete appraisal and is presented herein as a Summary Appraisal Report.

12. The appraisers' compensation is not contingent upon the reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

13. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

**ENVIRONMENTAL DISCLAIMER:** The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraisers are not experts in the identification of hazardous substances or detrimental conditions. The appraisers' routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or environmental conditions that would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections by a qualified hazardous substance and environmental expert would affect the property negatively. It is possible that tests and inspections made by a qualified expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the subject property that would negatively affect its value.

**ACCEPTANCE OF, OR USE OF, THIS APPRAISAL REPORT BY THE CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**

## APPRAISAL CERTIFICATION

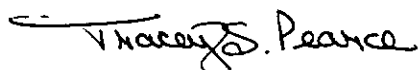
The Appraisers certify, to the best of his/her knowledge and belief, that:

- the statements of fact contained in this report are true and correct;
- the reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- we have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- our compensation for completing this assignment was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- the Appraisers signing this report have made a personal inspection of the property that is the subject of this report;
- this appraisal was developed and prepared by the undersigned appraisers and no one else provided significant professional assistance to the persons signing this report;
- there are 53 numbered pages in this report which does not include maps, charts, or exhibits in the Addenda.

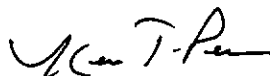
Having conducted a complete appraisal presented herein as a **Summary Appraisal Report**, the appraisers conclude that the Market Value of the Montana State Trust Land as of September 12, 2008, was:

Sale ID #279:	21.63 acres	\$54,000.00
Sale ID #280:	20.00 acres	\$50,000.00
Sale ID #281:	7.00 acres	\$31,500.00
Sale ID #282:	78.00 acres	\$214,500.00
Sale ID #283:	15.17 acres	\$53,000.00

September 26, 2008



**Tracey S. Pearce, Trainee**  
Real Estate Appraiser Trainee, MT #926



**Kevin T. Pearce, ARA**  
Accredited Rural Appraiser, #1081  
Certified General Appraiser, MT #63 & WY #436